

**Sithawakapura Urban Council**

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**Colombo District**  
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**1. Financial Statements**

**1.1 Presentation of Financial Statements**

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The financial statements for the year 2017 had been presented for audit on 29 March 2018 and the report of the Auditor General on the financial statements had been forwarded to the Chairman on 15 October 2018.

**1.2 Qualified Opinion**

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In my opinion, except for the effects of the matters shown in paragraph 1.3 of this report, the financial statements of the Sithawakapura Urban Council give a true and fair view of the financial position as at 31 December 2017 and its financial performance for the year then ended in accordance with Generally Accepted Accounting Principles.

**1.3 Comments on Financial Statements**

**1.3.1 Accounting Deficiencies**

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The following accounting deficiencies were observed.

- (a) Approval to write off arrears of revenue amounting to Rs.14,250,610 which continued to be accumulated for many years, but could not be legally recovered, had been obtained on 06 March 2018. But, this amount had been written off against the accounts for the year ended 31 December 2017.
- (b) A sum of Rs.3,391,289 had been shown as expenditure on equipment under capital expenditure in the Income and Expenditure Account. However, the value of equipment actually purchased in 2017 was Rs.2,964,778. As such, the capital expenditure had been overstated by Rs.426,511.
- (c) Water tanks and ladders valued at Rs.264,000 had been brought to account under furniture and fittings.
- (d) Action had not been taken to show in the accounts the sum of Rs.2,466,483 to be credited to the Urban Development Authority Bank Account as at 31 December 2017.

### 1.3.2 Unreconciled Accounts

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- (a) A difference of Rs.64,360,739 was observed between 03 items of accounts appearing in the financial statements and the related subsidiary registers.
- (b) An unreconciled amount of Rs.11,000 was observed between the Employees' Security Deposit Account balance of Rs.434,179 and the Employees' Security Deposit Investment balance of Rs.423,179 as at 31 December 2017.

### 1.3.3 Accounts Receivable and Payable

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#### (a) Accounts Receivable

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Advances amounting to Rs.842,357, private bus stand charges amounting to Rs.230,700 and rent of stalls at the public market amounting to Rs.3,603,200 continued to be brought forward in the financial statements for a long time without being settled.

#### (b) Accounts Payable

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The creditors' balance of Rs.60,607,908 included in the financial statements of the year under review included the balances totalling Rs.6,407,974 payable to government and semi government institutions. Action had not been taken to settle these even during the current year.

### 1.3.4 Lack of Necessary Documentary Evidence for Audit

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Title deeds to confirm ownership of 26 land and buildings of the Council had not been furnished and as such these could not be satisfactorily verified in audit.

### 1.3.5 Non-compliance

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#### Non-compliance with Laws, Rules, Regulations and Management Decisions

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The following non-compliances were observed in audit .

<b>Reference to Laws, Rules, Regulations and Management Decisions</b>	<b>Value</b>	<b>Non-compliance</b>
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	Rs.	
(a) Section 23 of the National Environmental Act No.47 of 1980 as amended by Acts No.53 of 2000 and 56 of 1988	-	Action had not been taken by 10 projects to obtain environmental licences which should have obtained environmental licences as projects declared/approved.

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|---------------------|--|---------|--|
| (b)                 | Financial Regulations of the Democratic Socialist Republic of Sri Lanka<br>F.R. 371(5)             | 842,357 | Action had not been taken up to now to settle the balances of advances granted to officers which were lying unsettled for 06 years as at end of the year under review.   |
| (c) Other Circulars |  |         |  |
| (i)                 | Circular No.LGD/08/2016 of 11 July 2016 of the Commissioner of Local Government, Western Province. | -       | A committee consisting of 5 officers had been appointed on 4 October. 2017 to physically identify the land and properties of local authorities through a survey made by a surveyor. But, such action had not been commenced up to now.   |
| (ii)                | Planning Circular of the Urban Development Authority No.15 of 18 November 1993                     | 140,647 | The amount in the deposit account maintained on behalf of the Urban Development Authority should only be used for development proposals with prior permission of the Urban Development Authority. The balance as at end of the year under review had not been used for any development activities. |

## 2. Financial Review

### 2.1 Financial Results

According to the financial statements presented, the excess of revenue over recurrent expenditure of the Council for the year ended 31 December 2017 amounted to Rs.142,356,710 as compared with the excess of revenue over recurrent expenditure of the preceding year amounting to Rs.148,152,951.

## 2.2 Revenue Administration

### 2.2.1 Estimated Revenue, Revenue Billed, Revenue Collected and the Arrears of Revenue

Information relating to the estimated revenue, revenue billed, revenue collected and the arrears of revenue furnished for the year under review and the previous year appear below.

Source of Revenue	2017				2016			
	Estimated Revenue Rs.	Revenue Billed Rs.	Revenue Collected Rs.	Total arrears as at 31 December Rs.	Estimated Revenue Rs.	Revenue Billed Rs.	Revenue Collected Rs.	Total arrears as at 31 December Rs.
Rates and Taxes	21,095,000	21,063,558	20,671,264	6,441,094	18,894,000	21,191,271	23,079,467	6,880,726
Rent	29,328,800	30,764,376	31,165,161	17,229,680	23,553,000	28,338,254	21,517,764	3,658,514
Licence Fees	1,443,500	845,394	845,394	89,710	450,000	772,909	184,682	43,542
Other Revenue	30,907,200	20,701,300	30,418,236	1,864,955	-	-	-	-

## **2.2.2 Rates and Taxes**

### **Rates**

The balance of rates as at end of the year under review amounted to Rs.6,432,554. Of this, Rs.2,779,670 belonged to previous years.

## **2.2.3 Rent**

### **Stall Rent**

- (i) The balance of stall rent as at end of the year under review amounted to Rs.3,856,121. Of this, Rs.1,861,463 belonged to previous years.
- (ii) The arrears of stall rent relating to fish and meat tenders as at 31 December 2017 amounted to Rs.252,921.
- (iii) The Urban Council had revised the stall rent from August 2017. But, the stall rent recovered from the Sithawakapura Jathika Pola and the Public Market were the rates applicable prior to revision.

## **3. Operating Review**

### **3.1 Performance**

The following matters were revealed with regard to duties to be fulfilled by the Council in terms of Section 4 of the Urban Councils Ordinance such as regularization and control of matters relating to public health, common amenities and public highways, healthy environment of the public, facilities, welfare etc.,

#### **(a) Non achievement of the Expected Output Level**

A sum of Rs.2,109,544 had been spent on 29 December 2017 to purchase necessary materials to construct a jogging path around lake's jungle environmental zone, to construct stair cases, to concrete stair cases and to fix wooden fittings on the iron poles. However, it was observed at an audit verification carried out in May 2018 that the work had not been completed.

#### **(b) Sustainable Development Target**

It was observed that the Council was not aware of the sustainable development Agenda 2030.

### 3.2 Management Inefficiencies

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- (a) Identical officers continued to occupy 07 official quarters belonging to the Sithwakapura Urban Council for over 20 years. Although other officers who need them had applied for them, action had not been taken to offer those quarters to them. The plans of quarters had been altered contravening Section 2.17 of the agreement entered into at the time of occupation.
- (b) The side walls constructed close to the Kotabodawaththa garbage sector of the Council had cracks at three places due to overloading. The community centre constructed by the Urban Council and buildings including the Grama Niladhari Office may get affected if the side walls fall.

### 3.3 Human Resources Management

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(a) **The actual and approved cadre of the Council as at 31 December 2017**

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<b>Grade</b>	<b>Approved</b>	<b>Actual</b>	<b>Vacancies</b>
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Executives	04	02	02
Secondary	51	47	04
Primary	122	112	10
Total	-----	-----	-----
	177	161	16
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(b) **Staff Vacancies**

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The posts of Secretary, Accountant and the Administrative Officer had fallen vacant. Officers of other services were acting in those posts.

(c) **Leave**

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Twenty labourers of the Council had obtained no pay leave. It was observed that their services had not been properly fulfilled as a result of obtaining such leave during the whole year.

**(d) Employees' Loans**  
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A sum of Rs.404,247 was due from 08 officers as at 31 December 2017 who had gone on transfers. Loan balances due from 23 officers amounting to Rs.148,097 had become irrecoverable.

**3.4 Assets Management**  
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**Idle/Under utilized Assets**  
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- (a) Only 18 out of 75 stalls constructed at the upper floor of the bus stand building of the Urban Council had been opened.
- (b) Ten Praja Mandalas and 02 Sampath Piyasas established as per Action Plan prepared by the Council for 2017 were malfunctioning.
- (c) The community centres established in the lake, jungle and environmental zone continued to dilapidate without being cleaned.

**3.5 Identified Lossess**  
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- (a) Water Supply had been disconnected at the Philip Gunawardena playground for non payment of water bills. A sum of Rs.9,785 had been spent on 25 October 2017 to reconnect it.
- (b) According to the Accession Register of the Puwakpitiya Public Library, books valued at Rs.5,613 issued to members had not been returned.

**4. Accountabilty and Good Governance**  
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**Budgetary Control**  
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Significant variances of 50 to 100 per cent were observed between the budgeted and actual revenue and expenditure of the year under review as shown below. It was thus observed that the budget had not been utilized as an efficient instrument of management control.

- (a) The entire provision totalling Rs.785,700 made for 17 Objects had been saved.
- (b) A sum of Rs.18,100,800 had been provided for 15 Objects. However, over 50 per cent of it amounting to Rs.14,049,007 had not been spent.

**5. Systems and Controls**  
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Deficiencies observed during the course of audit were brought to the notice of the Council from time to time. Special attention is needed in respect of the following areas of control.

<b>System</b> -----	<b>Deficiency</b> -----
(a) Assets/Properties	Not registered and safety not ensured.
(b) Staff Management	Approval for staff not obtained and vacancies not filled.
(c) Projects	Lack of adequate supervision and delays in completion.